

**BUILDING FAMILIES**

**FINANCIAL REPORT**

**June 30, 2013**

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## OFFICIALS

NAME	MEMBER	COUNTY
Doug Bailey	Member	Hamilton
Ann Jensen	Member	Hamilton
Marie Johnson	Member	Hamilton
Carl Mattes	Member	Humboldt
Angie Halfwassen	Chairperson	Humboldt
Tony Beach	Member	Humboldt
Aaron Burnett	Member	Humboldt
Mike Kruger	Member	Wright
Abby Helgevold	Vice Chairperson	Wright
Karl Helgevold	Member	Wright
Stacey Thompson	Member	Wright
Michelle Walters	Director	



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Building Families  
Webster City, IA

**Report on the Financial Statements**

We have audited the accompanying financial statements of Building Families, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Building Families as of June 30, 2013, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Schnarr & Company, LLP*

Fort Dodge, Iowa  
March 10, 2014

## **BUILDING FAMILIES**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Building Families provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Organization's financial statements, which follow.

#### **FINANCIAL HIGHLIGHTS**

- ◆ The Organization's operating revenues were \$567,512, with \$394,496 and \$67,787 coming from School Ready and Early Childhood Funds, respectively.
- ◆ The Organization's operating expenses were \$578,918, resulting in an \$11,406 decrease in net assets.
- ◆ The Organization's net assets decreased 4.0% from June 30, 2012 to June 30, 2013.

#### **USING THIS ANNUAL REPORT**

Building Families is a nonprofit organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Building Families' basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Organization's financial activities.

The Statement of Financial Position presents information on the Organization's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Organization is improving or deteriorating.

The Statement of Activities is the basic statement of activities for the Organization. This statement presents information on the Organization's operating revenues and expenses and whether the Organization's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Organization's cash during the year. This information can assist readers of the report in determining how the Organization financed its activities and how it met its cash requirements.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

#### **CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Organization's finances and to show the Organization's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Building Families, 120 1<sup>st</sup> Avenue NW, Suite 14, Clarion, Iowa 50525.

## BUILDING FAMILIES

### STATEMENT OF FINANCIAL POSITION June 30, 2013

<b>ASSETS</b>	
Current Assets	
Cash	\$ 283,465
Accounts receivable	<u>32,434</u>
<b>Total assets</b>	<b><u>\$ 315,899</u></b>
 <b>LIABILITIES AND NET ASSETS</b>	
Current Liabilities:	
Accounts payable	\$ 43,395
Deferred revenue	<u>48,614</u>
<b>Total liabilities</b>	<b>92,009</b>
Net Assets:	
Unrestricted	<u>223,890</u>
	<b><u>\$ 315,899</u></b>

See Notes to Financial Statements.

## **BUILDING FAMILIES**

### **STATEMENT OF ACTIVITIES For the Year Ended June 30, 2013**

<b>Support and Revenue:</b>	
School Ready	\$ 394,496
Early Childhood	67,787
Pregnancy Prevention	75,099
DCAT	7,347
Community Based Support Appeals	14,694
Miscellaneous	6,665
Interest	1,424
	<hr/>
<b>Total support and revenue</b>	<b>567,512</b>
<b>Expenses:</b>	
Program services:	
School Ready	394,984
Early Childhood	67,859
Other	116,075
	<hr/>
<b>Total expenses</b>	<b>578,918</b>
	<hr/>
<b>(Decrease) in net assets</b>	<b>(11,406)</b>
 Net assets, beginning of year	
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Net assets, end of year	<b>\$ 223,890</b>
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See Notes to Financial Statements.



## BUILDING FAMILIES

### STATEMENT OF CASH FLOWS For the Year Ended June 30, 2013

Cash Flows from Operating Activities:	
(Decrease) in net assets	\$ (11,406)
Adjustment to reconcile (decrease) in net assets to net cash (used in) operating activities:	
Effect of changes in:	
Accounts receivable	3,023
Accounts payable	5,425
Deferred revenue	<u>(12,950)</u>
<b>Net cash (used in) operating activities</b>	<u>(15,908)</u>
<b>Net (decrease) in cash</b>	(15,908)
Cash:	
Beginning	<u>299,373</u>
Ending	<u><u>\$ 283,465</u></u>

See Notes to Financial Statements.

## **BUILDING FAMILIES**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 1. Summary of Significant Accounting Policies and Nature of Activities**

**Nature of activities:** Building Families (Organization) is an Iowa corporation which was organized as a nonprofit corporation under the provisions of Chapter 504A of the Code of Iowa. Building Families is the early childhood initiative in Hamilton, Humboldt, and Wright Counties. In the summer of 1999, Building Families developed an early childhood plan that addresses the needs of children aged 0-5. The plan establishes a continuum of services that enhances healthy children, provides children the necessary components to be ready to succeed in school, develops safe and supportive communities, secure and nurturing families and secure and nurturing child care environments. The Organization's revenue is primarily from the Iowa Department of Human Services and Iowa Department of Education.

#### **A summary of the Organization's significant accounting policies follows:**

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions and donor restricted funds: The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions not restricted by donors are recorded as revenue in the unrestricted fund.

Accounts receivable: The Organization uses the allowance method of recording bad debts. The allowance for bad debts is zero at June 30, 2013.

Revenue recognition and deferred revenue: Grant revenues are recognized in income as funds are expended for the purpose designated by the related grants. Therefore, deferred revenue consists of grant funds received, but not yet expended.

Income taxes: The Organization is exempt from Federal and State income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income tax has been made in the financial statements.

Subsequent events: Subsequent events have been evaluated through March 10, 2014, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Economic Dependency

The Organization received 98% of its revenue from government agencies that included the Iowa Department of Health and Iowa Department of Education.

### Note 3. Functional Expenses

The Organization expenses by function are as follows:

Program services	\$ 558,061
General and administrative	20,857
	<u>\$ 578,918</u>

### Note 4. Leases

The Organization leases office space in Clarion, Iowa, under a noncancellable lease expiring December 31, 2018. The lease calls for monthly payments of \$1,000. The Organization also leases a copier under a noncancellable lease expiring October 31, 2017. The lease calls for monthly payments of \$82.

Minimum future rental payments under noncancellable operating leases at June 30, 2013 are as follows:

Years ending June 30,	
2014	\$ 6,981
2015	12,981
2016	12,981
2017	12,981
2018	12,245
Thereafter	6,000
	<u>\$ 64,169</u>

The lease expense for the year ended June 30, 2013 was \$12,981.

### Note 5. Concentration of Credit Risk

The Organization maintains its cash accounts with an Iowa bank. The total cash balance is insured by the FDIC up to \$250,000 per bank. The Organization's cash balance at June 30, 2013 that exceeded the balance insured by the FDIC is in the amount of \$107,722.

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Early Childhood

The Organization is the fiscal agent for School Ready Children Services and Early Childhood Program funds for Hamilton, Humboldt and Wright counties. The following financial data is for the year ended June 30, 2013:

	Early Childhood Fund	School Ready Fund	Total
<b>Additions:</b>			
State of Iowa grants:			
Early childhood	\$ 67,789	\$ -	\$ 67,789
Family support and parent education	-	210,343	210,343
Preschool support for low-income families	-	92,356	92,356
Quality improvement	-	44,960	44,960
Allocation for administration	-	11,439	11,439
Other grant programs	-	22,446	22,446
<b>Total State of Iowa grants</b>	<b>67,789</b>	<b>381,544</b>	<b>449,333</b>
Interest	72	488	560
<b>Total additions</b>	<b>67,861</b>	<b>382,032</b>	<b>449,893</b>
<b>Deductions:</b>			
Program services:			
Early childhood	64,470	-	64,470
Family support and parent education	-	197,708	197,708
Preschool support for low-income families	-	103,794	103,794
Quality improvement	-	56,727	56,727
Other program services	-	24,352	24,352
<b>Total program services</b>	<b>64,470</b>	<b>382,581</b>	<b>447,051</b>
Administration	3,389	12,403	15,792
<b>Total deductions</b>	<b>67,859</b>	<b>394,984</b>	<b>462,843</b>
Net change	2	(12,952)	(12,950)
Deferred revenue, beginning of year	-	61,564	61,564
Deferred revenue, end of year	\$ 2	\$ 48,612	\$ 48,614



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Building Families:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Building Families as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the Organization's financial statements, and have issued our report thereon dated March 10, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control, which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Building Families' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters which is described in the accompanying Schedule of Findings.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Building Families during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schnarr & Company, LLP*

Fort Dodge, Iowa  
March 10, 2014

**Building Families**  
**Schedule of Finding**  
**Year Ended June 30, 2013**

**Non-compliance and Other Matters:**

Annual Reporting: The annual reporting for the School Ready funds was timely filed. However, due to adjustments made from the audit, the annual report and audit report are not in agreement, resulting in a change in the carryover funds.

Recommendation: The annual report for the School Ready funds should be amended to agree with the audit report.

Response: The appropriate regulatory authorities have been contacted and will work with us to adjust the report and carryover funds.

Conclusion: Response accepted.